STAFF PENSION PLAN FOR EMPLOYEES OF THE SASKATCHEWAN LEGAL AID COMMISSION

FINANCIAL STATEMENTS

For the Year Ended December 31, 2004

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits of the Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission (Plan) as at December 31, 2004 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2004 and changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 4, 2005

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

STAFF PENSION PLAN FOR EMPLOYEES OF THE
SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
As at December 31

	2004	2003
Assets		
Investments (Note 3)		
Forfeiture account	$ 976	$ 22
Guaranteed funds	3,152,631	3,228,683
Pooled funds	9,843,657	8,563,279
	12,997,264	11,791,984
Prepaid Expenses	7,344	5,287
Total assets, being **Net Assets Available for Benefits (Statement 2)**	$ 13,004,608	$ 11,797,271

(See accompanying notes to the financial statements)

Statement 2

STAFF PENSION PLAN FOR EMPLOYEES OF THE
SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For The Year Ended December 31

	2004	2003
Increase in Assets		
Investment income		
Interest	$ 136,535	$ 133,557
Current period change in market values of Pooled investments	599,919	1,113,131
Contributions		
Member's required	403,909	421,822
Member's voluntary	840	840
Employer's required	403,909	421,822
Total increase in assets	1,545,112	2,091,172
Decrease in Assets		
Administration expenses (Note 4)	49,293	30,643
Transfers and refunds	288,482	94,362
Total decrease in assets	337,775	125,005
Increase in net assets	1,207,337	1,966,167
Net assets available for benefits at beginning of year	11,797,271	9,831,104
Net Assets Available for Benefits at end of year (Statement 1)	$ 13,004,608	$ 11,797,271

(See accompanying notes to the financial statements)

STAFF PENSION PLAN FOR EMPLOYEES OF THE SASKATCHEWAN LEGAL AID COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

1. Description of Plan

The following description is in summary only. For more complete information, reference should be made to the Plan document.

a) General

The Staff Pension Plan for Employees of The Saskatchewan Legal Aid Commission (Plan) is a defined contribution plan registered under *The Pension Benefits Act, 1992* of Saskatchewan (the Act).

The Plan was established as the Staff Pension Plan for the Employees of the Saskatchewan Community Legal Services Commission on November 1, 1977. The Plan was amended and the new name created as at September 1, 1983.

b) Administration

Effective January 1, 1996, the Plan is administered and sponsored by a joint trustees arrangement. The joint trustees consist of four members, two appointed by The Saskatchewan Legal Aid Commission (Commission), and two appointed by C.U.P.E., Local 1949. Day-to-day administration is provided by the Commission for the Trustees.

The Trustees have an agreement with the Manufactures Life Insurance Company (Manulife Financial) to serve as the Plan's investment agency, investment custodian, and record keeper.

c) Contributions

All employees hired on or after January 1, 1996 contribute 5% of their earnings each year. Employees hired prior to January 1, 1996 contribute between 5% and 8% of their earnings. This amount is matched by the Commission. The Commission's contributions are vested after two years of service and all members' contributions made before 1994 are considered additional voluntary contributions. The Commission's contributions made before 1994 are considered required contributions and subject to the minimum requirements of the Act.

Members may make additional voluntary contributions which are not matched by the Commission.

d) Retirement, termination, or death

Upon retirement from employment, termination or death, a member's pension benefits, subject to vesting status, must be transferred from the Plan to another financial institution. Effective September 1, 2000, a member whose employment is terminated with the Commission must elect to transfer benefits from the Plan. If the member fails to make an election within 90 days after being provided with a statement outlining options and deadlines, the member's account will be transferred to a deferred life annuity which is not commutable. Effective April 1, 2002, a member eligible to retire may transfer funds from the pension plan directly to a prescribed RRIF, subject to spousal consent.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policy is considered significant:

Investments:

Investments in Guaranteed funds are valued at cost plus interest earned on the funds which approximates market value.

Investments in Pooled funds are recorded at market value which are determined by reference to closing year end unit prices. Current period changes in value of Pooled funds are accounted for in the Statement of Changes in Net Assets Available For Benefits.

For investments held, fair value approximates quoted market values.

Interest income is recorded as earned.

3. Investments

The Plan allows participating members to invest in either the Guaranteed or Pooled funds. These funds offer a choice of different levels of income and growth, guarantees and risk taking.

The members' interest rate risk arises from the potential adverse consequences of interest rate changes on the value of the Plan's assets.

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. Market risk is the risk that the value of a financial instrument will fluctuate. The members' credit risk for Guaranteed funds are minimal as all investments consist of Guaranteed Investment Certificates (GICs). For Pooled funds, the Trustee's Statement of Investment Policy and Goals[1] limits members' credit and market risk by

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[1] The Trustee's Statement of Investment Policy and Goals is in accordance with *The Pension Benefits Act, 1992*.

requiring investment dealings to be with investees and counterparts considered to be of high quality and by setting the following investment limits and constraints:

- Investment in foreign equities is subject to any maximum established by the *Income Tax Act* (Canada);
- Aggregate investments of any one issuer other than the Government of Canada or a province, should not exceed 10% of the market value of the total portfolio;
- Aggregate investments of more than 5% of the total book value of the fund's assets in any one parcel of real estate property or Canadian resource properties are not permitted;
- Aggregate investments of more than 15% of the total book value of the fund's assets in Canadian resource properties are not permitted;
- Aggregate investments of more than 25% of the total book value of the fund's assets in real estate property and Canadian resource properties are not permitted;
- No investment in venture capital funds shall be permitted;
- All investments will satisfy the criteria established by the *Income Tax Act* (Canada) and *The Pension Benefits Act, 1992* (Saskatchewan);
- No borrowing by the Plan sponsor or any other party involved in the management of the pension fund is allowed; and
- No derivative instruments such as options, futures, warrants can be used in a speculative manner but they will be allowed under a hedging strategy.

Forfeiture Account: This account represents non-vested benefits forfeited by terminated employees. This fund is made up of a current interest bearing account .

Guaranteed funds: The Guaranteed funds offered by the Plan are managed by Manulife Financial. These funds are made up of a current interest bearing account and GICs from 1 to 10 years in length.

Pooled funds: The Pooled funds are managed by various investment managers under contract with Manulife Financial. The Funds have no fixed interest rate and the Pooled funds return is based on the performance of the funds. These funds include investment in the following Manulife Financial Funds at December 31, 2004:

Balanced Asset Allocation Fund: This fund is managed to provide a balance between growth of capital and current income, with a greater emphasis on growth of capital. The fund will generally maintain 60% of its investments in equity funds and 40% in bond funds, though each segment may vary up to 10% from time to time.

Conservative Asset Allocation Fund: This fund is managed to provide a high level of current income and capital preservation with some consideration given to growth of capital. The fund will generally maintain 80% of its investments in bond funds and 20% in equity funds, though each segment may vary up to 10% from time to time.

Aggressive Asset Allocation fund: This fund is managed to provide a long-term growth of capital, with no consideration given to current income. The fund will generally maintain 100% of its investments in equity funds.

Growth Asset Allocation Fund: This fund is managed to provide a long-term growth of capital, with some consideration given to current income. The fund will generally maintain 80% of its investments in equity funds and 20% in bond funds, though each segment may vary up to 10% from time to time.

Moderate Asset Allocation Fund: This fund is managed to provide a balance between current income and growth of capital, with a greater emphasis on income and capital preservation. The fund will generally maintain 60% of its investments in bond funds and 40% in equity funds, though each segment may vary up to 10% from time to time.

Canadian Money Market Fund: This fund is managed to achieve a consistent level of interest income while preserving capital and maintaining liquidity. This fund invests primarily through investments in money market securities backed by the Government of Canada, its Provinces or Municipalities, corporations and chartered banks.

Elliott & Page Money Fund: This fund invests in high quality, short-term fixed income securities maturing within 365 days of acquisition, including securities issued or guaranteed by Canadian federal or provincial governments or their agencies, Canadian chartered banks, or loan or trust companies licensed or registered in Canada. This fund was capped to new deposits at September 30, 2002.

McLean Budden Fixed Income Fund: This fund is managed for a balance of security and growth over a period of at least four years. This fund invests in a diversified portfolio of high quality Canadian debt securities such as bonds, debentures and T-Bills.

Seamark Balanced Fund: This fund is managed to preserve capital and minimize market value fluctuations while generating superior long-term returns through capital gains augmented by current income. The fund invests in fixed income and equity investments.

McLean Budden Balanced Growth Fund: This fund is managed for a balance of security and growth. This fund invests in Canadian and foreign equities and fixed income securities issued by Canadian governments and corporations.

Global Pooled Canadian Index Fund: The investment objective of this fund is to achieve investment results that approximate the total return of the S&P/TSX Composite index, one of the most watched indexes of the Canadian Equity Market.

McLean Budden Canadian Equity Growth Fund: This fund is managed for a balance of security and growth over a period of at least four years. This fund invests in a diversified portfolio of Canadian stocks and convertible securities.

Seamark Canadian Equity Fund: This fund is managed to preserve and enhance capital through long-term capital gains with some current dividend income. The fund will invest primarily in Canadian equity securities.

McLean Budden Global Equity Fund: This fund is managed to provide a superior rate of return, primarily through capital appreciation. The fund invests in a diversified portfolio of 60-80 non-Canadian equities.

AGF American Growth Fund: This fund is managed to provide long-term capital growth. It invests primarily in equity securities of established U.S. companies.

Fidelity Growth America Fund: The investment objective of this fund is to achieve long-term capital growth by investing primarily in equity securities of U.S. companies. The portfolio manager searches for investment opportunities by using Fidelity's traditional bottom-up investment style, selecting securities for the fund on a stock by stock basis.

Global Pooled U.S. Index Fund: The investment objective of this fund is to achieve investment results that approximate the total return of the S&P 500 Stock Index, one of the most well regarded benchmarks for the U.S. equity market.

Seamark International Equity Fund: This international stock fund invests in equity securities of companies domiciled outside of Canada and the United States.

Investments at December 31	Market Value	
	2004	2003
Forfeiture Account:		
Current Interest Deposit Account	$ 976	$ 22
Guaranteed funds:		
Current Interest Deposit Account	41,384	84,462
1 Year Term	362,660	354,968
2 Year Term	3,048	40,556
3 Year Term	198,385	185,182
4 Year Term	19,657	11,438
5 Year Term	2,511,780	2,543,035
10 Year Term	15,717	9,042
	3,152,631	3,228,683

	Market Value	
	2004	2003
Pooled funds:		
Asset Allocation		
Balanced Asset Allocation Fund	519,483	—
Conservative Asset Allocation Fund	344,953	—
Aggressive Asset Allocation Fund	149,541	—
Growth Asset Allocation Fund	24,803	—
Moderate Asset Allocation Fund	5,431	—
Canadian Money Market		
Canadian Money Market Fund	41,847	112,680
Elliott & Page Money Fund	3,614	4,208
Canadian Bond		
McLean Budden Fixed Income Fund	589,286	571,016
Balanced		
Seamark Balanced Fund	2,748,925	2,644,764
McLean Budden Balanced Growth Fund	1,067,638	870,462
Canadian Equity		
Global Pooled Canadian Index Fund	1,465,617	1,375,851
McLean Budden Canadian Equity Growth Fund	1,458,686	1,352,997
Seamark Canadian Equity Fund	159,192	—
Global Equity		
McLean Budden Global Equity Fund	16,513	—
U.S. Equity		
AGF American Growth Fund	369,552	758,922
Fidelity Growth American Fund	16,753	—
Global Pooled U.S. Index Fund	8,325	—
International Equity		
Seamark International Equity Fund	853,498	872,379
	9,843,657	8,563,279
Total investments	$ 12,997,264	$ 11,791,984

4. Administration Expenses

The Plan has an agreement with Aon Consulting Inc. to help administer the annual operating expenditures associated with the Plan's administration. The Pension Plan Document allows for the payment of the following expenses from the pension fund:

- The fees of the investment manager and fund custodian; and

- Any expenses reasonably and properly incurred by the Trustees in the administration and operation of the Pension Plan and Pension Fund.

Any forfeited amounts which arise shall be applied towards the payment of any fees and expenses incurred by the plan.

5. Related Party Transactions

Transactions with the Commission (a related party) and amounts due to or from it are described separately in these financial statements and the notes thereto.

The day-to-day administration provided by the Commission and Trustees are provided without charge to the plan.

6. investment performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives. The Trustees review the investment performance of the plan in terms of the performance of benchmark portfolio over 4 year rolling periods. The primary long-term investment performance objective for the entire portfolio is to out perform a benchmark portfolio.

Each member makes the investment selection of the member and Commission contributions. The Plan allows participating members to invest in either Guaranteed or Pooled funds. These funds offer a choice of different levels of income and growth, guarantees and risk taking.

The following is a summary of the Plan's investment performance at December 31, 2004 (2003):

	Actual Rate of Return 2004 (2003)(a)	One Year Average Investment Objective Return (b)	Rolling Four Year Average Rate of Return (b)	Rolling Four Year Average Investment Objective Return (b)
GICs	Range during the year:		Not applicable	Not applicable
Daily	0.525% to 0.775% (0.275% to 0.775%)			
1 year	1.075% to 1.925% (1.475% to 2.40%)	2.00%		
2 year	1.525% to 2.675% (1.875% to 2.65%)			
3 year	2.125% to 3.275% (2.375% to 3.15%)	2.65%		
4 year	2.325% to 3.525% (2.775% to 3.40%)			
5 year	2.825% to 4.025% (3.025% to 3.775%)	3.30%		
10 year	3.775% to 4.575% (3.975% to 4.525%)			

	Actual Rate of Return 2004 (2003)(a)	One Year Average Investment Objective Return (b)	Rolling Four Year Average Rate of Return (b)	Rolling Four Year Average Investment Objective Return (b)
Manulife Balanced Asset Allocation Fund [c]	10.25%	8.42%	5.31%	2.42%
Manulife Conservative Asset Allocation Fund [c]	7.31%	6.53%	5.65%	5.08%
Manulife Aggressive Asset Allocation Fund [c]	13.58%	12.05%	6.32%	1.25%
Manulife Growth Asset Allocation Fund [c]	12.03%	10.35%	5.68%	2.01%
Manulife Moderate Asset Allocation Fund [c]	8.82%	7.24%	5.39%	3.76%
Manulife Canadian Money Market Fund	2.40% (3.00%)	2.30% (2.90%)	not available (not available)	3.10% (3.90%)
Manulife Elliott & Page Money Fund	2.38% (2.90%)	2.30% (2.90%)	3.12% (3.80%)	3.10% (3.90%)
Manulife McLean Budden Fixed Income Fund	7.67% (6.50%)	7.50% (7.00%)	7.72% (8.60%)	8.04% (8.80%)
Manulife Seamark Balanced Fund	5.73% (13.90%)	9.93% (14.60%)	4.59% (7.10%)	3.58% (2.70%)
Manulife McLean Budden Balanced Growth Fund	8.46% (14.40%)	9.93% (14.60%)	4.37% (5.10%)	3.58% (2.70%)
Manulife Global Pooled Canadian Index Fund	14.45% (26.60%)	14.48% (26.47% to 26.97%)	2.52% (.90%)	2.66% (.78% to 1.28%)
Manulife McLean Budden Canadian Equity Growth Fund	11.83% (30.70%)	15.93% (29.40%)	6.12% (7.60%)	2.92% (1.10%)
Manulife Seamark Canadian Equity Fund [c]	10.05%	15.93%	9.05%	2.92%
Manulife McLean Budden Global Equity Fund [c]	5.47%	6.72%	-3.11%	-4.71%
Manulife AGF American Growth Fund	-0.29% (5.00%)	3.09% (6.70%)	-10.82% (-13.60%)	-5.39% (-7.10%)
Manulife Fidelity Growth American Fund [c]	2.96%	3.09%	-4.58%	-5.39%
Manulife Global Pooled U.S. Index Fund [c]	2.91%	2.99%	-6.40%	-6.08%
Manulife Seamark International Equity Fund	2.25% (8.90%)	12.64% (15.70%)	- 5.28% (-2.70%)	-2.88% (-7.50%)

a) Rates of return are before deducting investment expenses. Source: Manulife Financial's web-site and Aon Consulting Inc.

b) Source: Aon Consulting Inc.

c) Effective October 1, 2004, these funds have been added to the investment options offered to Plan members. The performance history has been shown for illustrative purposes. The comparative rates are not available.